

Information on Washington's Tax Structure



Distressed Area Business and Occupation Tax Credit for New Employees

The information contained in this fact sheet is current as of the date of publication and is intended only as general information. It does not cover every aspect of this incentive. Not all possible applications of this program are discussed. This fact sheet does not alter or supersede any administrative regulations or rulings issued by the Department.

The Distressed Area Business and Occupation (B&O) Tax Credit Program for New Employees provides a \$2,000 credit for each new qualified employment position with annual wages and benefits of \$40,000 or less; or a credit of \$4,000 for each new employment position with wages and benefits over \$40,000 annually, with applications approved July 1, 1997 and there after. The credit is taken against the B&O tax for each new employment position filled and maintained by qualified businesses located in eligible areas.



ELIGIBLE AREAS

NOTE: The list of eligible areas is revised annually (effective July 1 through June 30). Businesses making investment or hiring decisions should be aware that a specific area may not be on the list every year. Before making a final investment or hiring decision based on these programs, the business should call the Special Programs Division at (360) 753-5545 to determine eligibility of the area.

- ◆ **Rural Counties:** Counties with a population density of fewer than 100 people per square mile. The eligibility period is from July 1 through June 30 of the following year.

- ◆ **Community Empowerment Zones (CEZ):** A designated community empowerment zone. The business must be located within the zone. Only positions filled by CEZ residents are eligible for the tax credit. CEZs have a continuing status and are not reevaluated annually or removed from the list.

Please see the designated area table included in this publication.

REQUIREMENTS

- ◆ **An application must be filed with the Department of Revenue BEFORE filling the new positions.** Positions may be filled after the application is submitted to the Department of Revenue. However, a credit cannot be taken until the application is approved and a valid credit certificate is issued (see application included in this publication).
- ◆ The business must be a manufacturing, research and development, or computer-related service business (excluding light and power business) that locates or expands in a designated distressed county or other eligible area.



- ◆ Businesses must create a new work force, or expand the existing work force by a 15 percent average increase (full-time employment positions) over the preceding calendar year by December 31 of the calendar year credits are applied for. All positions created by a new business will qualify for the credit the first year from the date the application is received by the Department of Revenue.
- ◆ New full-time employment positions must be maintained for 12 consecutive months.
- ◆ To qualify, a new application must be submitted to the Department of Revenue EACH calendar year that a 15 percent average increase in the number of positions over the previous year is anticipated.
Note: Application to the Department must be made before filling these new positions.
- ◆ When a person filling a position quits or is fired, the approved credit for that position will not be canceled as long as that vacant position is filled within 30 days and the position is maintained for 12 consecutive months. An employee “in-training” qualifies as filling a position, as long as they are working at least 35 hours a week.

LIMITATIONS

- ◆ Businesses already deferring sales or use tax under the New Business Sales/Use Tax Deferral Program under the provisions of 82.61 RCW, that expired July 1, 1995, are not eligible for the Business and Occupation Tax Credit Program.
- ◆ Only the number of full-time employment positions applied for and approved by the Department of Revenue are eligible for a credit. If additional positions are created after the application is approved, they are not eligible for the credit.
- ◆ The position(s) must be NEW. Positions may not be transferred from an established site in Washington to a new site or other qualified location unless the vacated positions are filled.

HOW TO DETERMINE A FULL-TIME EMPLOYMENT POSITION

A full-time employment position is one that is filled by one or more employees who:

- ◆ Work 35 hours per week for 52 weeks; or
- ◆ Work 455 hours each quarter (excluding overtime) of the year; or
- ◆ Work 1,820 hours annually (excluding overtime) over a period of 12 consecutive months.

NOTE: Tax credits for qualified businesses that hire seasonal employees may be approved if certain requirements are met. See Excise Tax Advisory 535.04.240 for more information.

15 PERCENT AVERAGE EMPLOYMENT INCREASE

Qualification for tax credit depends upon whether enough new positions are expected to be filled to meet the fifteen percent average increase test. Positions filled in the current calendar year prior to making application are not eligible for a credit, but the positions are used to calculate whether the 15 percent threshold has been met.

To determine if the number of new positions anticipated is an average increase of 15 percent:

1. Add the number of all full-time employees (455 hours or more worked) as reported to Employment Security for each quarter of the preceding year to find the number of full-time employees for that quarter;
2. Add the hours of the remaining employees on each report for the preceding year, and divide by 455 to find the number of other full-time equivalent (FTE) employees;
3. Add the totals from 1 and 2 above to find the total FTEs for the quarter (see table 14, lines a-d);
4. Add the FTEs for all four quarters together for the annual total (table 14, line e); and

5. Divide the annual total FTEs by four. The answer represents the average number of full-time employment positions (table 14, lines f and g).

A worksheet is included with the Distressed Area Application for B&O Tax Credit on New Employees. To obtain the average number of FTEs for the previous and current calendar years, complete the tables on the worksheet. The average number of FTEs for the current calendar year must be 15 percent higher than the average number of FTEs for the previous calendar year (table 15).

NOTE: Tables 14 and 15 are to be used with both examples one and two.

14. Number of FTEs for Previous Year:	
a. Quarter 1.....	11
b. Quarter 2.....	15
c. Quarter 3.....	16
d. Quarter 4.....	11
e. Total number of FTEs (add a through d).....	53
f. Divided by 4.....	÷ 4
g. Average number of FTEs for previous year.....	13.25 = 13 due to rounding

(Transfer this number to page
2, line 14 of the application)

15. Average Number of FTEs for Previous Year Multiplied by 1.15	
a. Multiply the total on line (g) by 1.15.....	13.25 x 1.15
b. Total.....	15.2375 = 15 due to rounding

(Transfer this number to page
2, line 15 of the application)

Example One: Although the company hires two new employees in Quarter 1 of the current year, they do not meet the 15 percent average test and will receive no credit for the positions.

16. Estimated Number of FTEs for Current Year:	
a. Quarter 1.....	13
b. Quarter 2.....	13
c. Quarter 3.....	13
d. Quarter 4.....	13
e. Total number of FTEs (add a through d).....	52
f. Divided by 4.....	÷ 4
g. Average number of FTEs for current year.....	13

(Transfer this number to page
2, line 14 of the application)

Example Two: Company hires four new employees in Quarter 1 of current year. In this instance, the company will meet the 15 percent increase test, and will receive a credit for four new positions if maintained for 12 consecutive months.

16. Estimated Number of FTEs for Current Year:	
a. Quarter 1.....	15
b. Quarter 2.....	15
c. Quarter 3.....	15
d. Quarter 4.....	15
e. Total number of FTEs (add a through d).....	60
f. Divided by 4.....	÷ 4
g. Average number of FTEs for current year.....	15

(Transfer this number to page
2, line 16 of the application)

USING THE CREDIT

Once approved, a credit of \$2,000 or \$4,000 will be authorized for each position requested in the application. The department will send an Employee Credit Certificate to the business following approval of the application. AFTER the business has received the certificate AND each new position is filled, the business may apply the credit against its B&O tax liability. The credit used on each return must not be greater than the amount of B&O tax due on that return.

NOTE: This credit may not be used to offset sales or other taxes owed on the return, only the B&O tax.

To take the credit, a copy of the Employee Credit Certificate must be attached to the Combined Excise Tax Return.

The amount of the credit should be entered on page two of the Combined Excise Tax Return under the CREDITS section, credit ID number 810. The total of all credits is then entered on page one of the Combined Excise Tax Return in the TOTALS section, and subtracted from the subtotal of taxes due for that period.

Businesses with approved applications must file a report with the Department of Revenue that covers the preceding calendar year, the calendar year the credit is claimed, as well as the calendar year after the credit is claimed. The report must contain the information

necessary to verify that the positions were created and filled for 12 consecutive months. Copies of the reports filed quarterly with the Employment Security Department, which includes a list of employee names and hours worked, are sufficient to meet this requirement. Wage and benefit information may also be necessary to verify the credit.

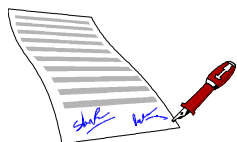
The B&O tax credit will be canceled if the required reports are not submitted or do not contain the necessary information (verification that the positions were created and filled for 12 consecutive months). If the credit is canceled, the business will be required to pay back any credit taken on the Combined Excise Tax Return, plus interest, immediately.

APPLICATION

A copy of the [Distressed Area Application for B&O Tax Credit on New Employees](#) along with the Worksheet is provided in this publication.

Additional applications may be obtained by contacting the Telephone Information Center at 1-800-647-7706 (TTY 1-800-451-7985) or you can have the documents faxed by calling our Fast Fax system at (360) 786-6116 and requesting code number 811003.

The Department of Revenue must approve or deny applications within 60 days. If denied, the business may appeal the decision to the Department's Appeals Division.



PUBLICATIONS

- ◆ Excise Tax Advisory (ETA) 535.04.240 describes the formula used to convert seasonal or part-time employment hours to full-time employment hours for the Distressed Area Business and Occupation Tax Credit.

LAWS AND RULES

- ◆ Chapter 82.62 Revised Code of Washington (RCW) — Tax Credits for Eligible Business Projects
- ◆ Washington Administrative Code (WAC) 458-20-240 — Manufacturers, tax credits (Distressed Area Business and Occupation Tax Credits)

The Department of Revenue will, upon request, provide copies of the laws and administrative rules.

DESIGNATED AREAS Population Density Basis and CEZs August 1, 1999 - June 30, 2000		
County	Sales Tax Deferral 82.60	B&O Job Credit 82.62
Adams	X	X
Asotin	X	X
Benton	X	X
Chelan	X	X
Clallam	X	X
Clark		
Columbia	X	X
Cowlitz	X	X
Douglas	X	X
Ferry	X	X
Franklin	X	X
Garfield	X	X
Grant	X	X
Grays Harbor	X	X
Island		
Jefferson	X	X
King	CEZ+ COUNTY	CEZ ONLY
Kitsap	CEZ+ COUNTY	CEZ ONLY
Kittitas	X	X
Klickitat	X	X
Lewis	X	X
Lincoln	X	X
Mason	X	X
Okanogan	X	X
Pacific	X	X
Pend Oreille	X	X
Pierce	CEZ+ COUNTY	CEZ ONLY
San Juan	X	X
Skagit	X	X
Skamania	X	X
Snohomish		
Spokane		
Stevens	X	X
Thurston		
Wahkiakum	X	X
Walla Walla	X	X
Whatcom	X	X
Whitman	X	X
Yakima	X	X

PUBLICATIONS ORDER FORM

The Department of Revenue offers numerous publications covering a wide range of topics. These publications are available upon request from any Department of Revenue field office, or by calling the Telephone Information Center at 1-800-647-7706, or by completing this form and mailing it to: Department of Revenue, Taxpayer Services Division, PO Box 47478, Olympia, WA 98504-7478. Many of these publications are also available on the Department's Internet web site at <http://dor.wa.gov>.

QUANTITY	PUBLICATION
_____	Guide to Completing the Combined Excise Tax Return
_____	Active, Nonreporting Business
_____	Aircraft Taxes
_____	Audit Process
_____	Below Minimum
_____	Business and Occupation Tax
_____	Business Tax Overview
_____	Child Care Operators
_____	Cigarette Tax
_____	Collection Process
_____	Deferrals, Credits and Exemptions
_____	Electronic Funds Transfer
_____	Electronic Filing
_____	Farm Use Tax
_____	Fast Fax
_____	Fish Taxes
_____	Hazardous Substance Tax
_____	High Technology B&O Tax Credit
_____	Homeowner's Guide to Property Tax
_____	Horse Industry Tip Sheet
_____	How to Amend Your Combined Excise Tax Return
_____	New Business Handbook
_____	Nonprofit Organizations
_____	Outline of Major Taxes
_____	Personal Property Tax
_____	Property Tax Deferrals for Senior Citizens and Disabled Persons
_____	Property Tax Exemptions for Senior Citizens and Disabled Persons
_____	Resale Certificate
_____	Real Estate Transactions and Use Tax
_____	Retail Sales Tax
_____	Small Claims Hearings
_____	Taxpayer Rights and Responsibilities
_____	Tax, Title and Registration of Boats
_____	Temporary Business Registration
_____	Unclaimed Property
_____	Use Tax
OTHER:	
_____	Excise Tax Advisory (ETA) _____ identify by number
_____	Numerical listing and titles of ETAs
_____	Special Notice _____ identify by number and title
_____	Tax Topics article reprint _____ please include code, issue and article
_____	WAC (Rule) _____ identify by number
_____	Washington Tax Facts _____ identify by name

PLEASE SEND PUBLICATION(S) TO:

Contact Person: _____

Business Name: _____

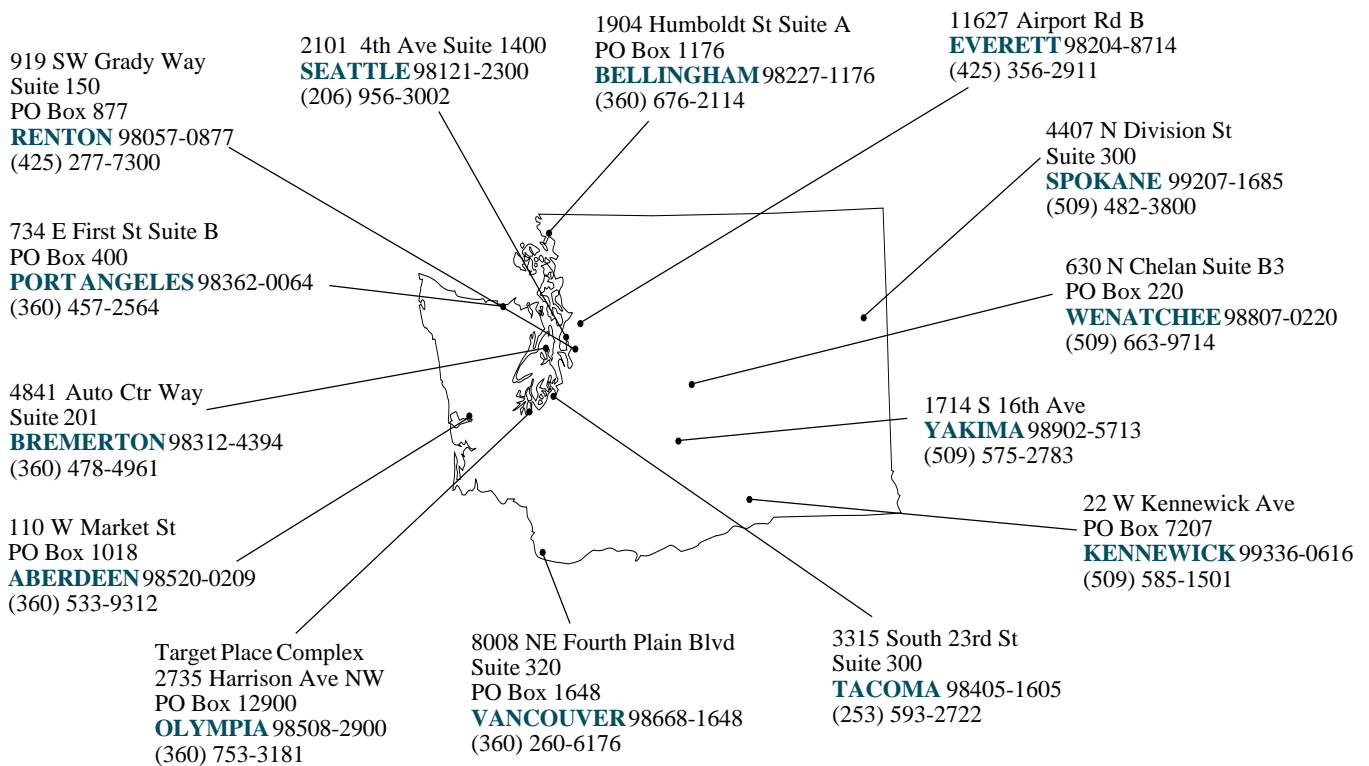
Street Address: _____

City, State, Zip: _____

Department of Revenue

Telephone Information Center
1-800-647-7706

FIELD OFFICE LOCATIONS



<http://dor.wa.gov>

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